



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

June 21, 2012

Louise Veach  
Office Manager  
Fountain Run WD #1  
P.O. Box 118  
Fountain Run, KY 42133

RECEIVED

JUL 18 2012

PUBLIC SERVICE  
COMMISSION

RE: PSC Case No. 2009-00201

Dear Ms. Veach:

The ordering paragraphs of the final order in Case No. 2009-00201 dated June 25, 2009, state the following:

*Three years from the effective date of this Order, Fountain Run District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.*

This letter is a reminder that this information is now due. Please submit it so that I can update the case file and show that Fountain Run WD #1 is in compliance with the order.

Sincerely,

Linda Faulkner  
Director of Filings

RECEIVED

JUL 18 2012

PUBLIC SERVICE  
COMMISSION

Fountain Run Water District #1  
Financial Statements  
June 30, 2012

CONTENTS

	<u>PAGE</u>
Accountant's Compilation Report	1
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4-5
Schedule of Operating Expenses	6

**JAMES D. SPURLOCK**  
*Certified Public Accountant*  
306 EAST MAIN STREET  
SCOTTSVILLE, KENTUCKY 42164  
PHONE: (270) 237-3450  
FAX: (270) 239-3450

**ACCOUNTANT'S COMPILATION REPORT**

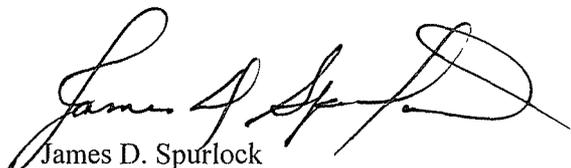
To the Commissioners  
Fountain Run Water District #1  
Fountain Run, Kentucky

I have compiled the accompanying balance sheet of Fountain Run Water District #1 as of June 30, 2012 and the related statements of revenues, expenses, changes in net assets and cash flows for the six months then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

  
James D. Spurlock  
Certified Public Accountant

July 12, 2012

**Fountain Run Water District #1**  
**Balance Sheet**  
**June 30, 2012**

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 163,562
Accounts Receivable-Net	21,462
Inventory	195
Prepaid Insurance	9,871
Restricted Cash and Cash Equivalents	90,720
Total Current Assets	285,810
Utility Plant:	
Plant in Service	2,308,568
Less:	
Accumulated Depreciation	(570,722)
Net Utility Plant in Service	1,737,846
Deferred Debits:	
Unamortized Debt Expense Net	15,279
Total Assets	\$2,038,935

Liabilities and Net Assets

Current Liabilities:	
Rural Development Bonds	\$ 17,000
Accounts Payable	8,194
Customer Deposits	21,330
Payroll Taxes Payable	1,892
Accrued Interest	11,713
Other Current Liabilities	751
Total Current Liabilities	60,880
Long-Term Liabilities:	
Rural Development Bonds	785,000
Net Assets:	
Invested in Capital Assets, Net of Related Debt	924,133
Restricted	90,720
Unrestricted	178,202
Total Net Assets	1,193,055
Total Liabilities and Net Assets	\$2,038,935

See Accountant's Compilation Report.

**Fountain Run Water District #1**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Six Months Ended June 30, 2012**

Operating Revenues:	
Metered Sales	\$ 116,705
Miscellaneous Service Revenue	2,785
Total Operating Revenues	<u>119,490</u>
Operating Expenses:	
Operating Expenses (Schedule):	
Source of Supply	38,005
Water Treatment	314
Transmission and Distribution	22,459
Customer Accounts	2,388
Administrative and General	31,844
Depreciation	32,384
Taxes	2,661
Total Operating Expenses	<u>130,055</u>
Net Income (Loss) from Operations	<u>(10,565)</u>
Nonoperating Revenues (Expenses):	
Amortization	(253)
Interest Income	292
Interest Expense	(11,713)
Miscellaneous Income	125
Rental Income	9,408
Total Nonoperating Revenues (Expenses), Net	<u>(2,141)</u>
Income (Loss) Before Capital Contributions	<u>(12,706)</u>
Capital Contributions:	
Tap Fees	550
Total Capital Contributions	<u>550</u>
Change in Net Assets	(12,156)
Net Assets, Beginning of Year	<u>1,205,211</u>
Net Assets, End of Year	<u><u>\$ 1,193,055</u></u>

See Accountant's Compilation Report.

**Fountain Run Water District #1**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Six Months Ended June 30, 2012**

Operating Revenues:	
Metered Sales	\$ 116,705
Miscellaneous Service Revenue	2,785
Total Operating Revenues	<u>119,490</u>
Operating Expenses:	
Operating Expenses (Schedule):	
Source of Supply	38,005
Water Treatment	314
Transmission and Distribution	22,459
Customer Accounts	2,388
Administrative and General	31,844
Depreciation	32,384
Taxes	2,661
Total Operating Expenses	<u>130,055</u>
Net Income (Loss) from Operations	<u>(10,565)</u>
Nonoperating Revenues (Expenses):	
Amortization	(253)
Interest Income	292
Interest Expense	(11,713)
Miscellaneous Income	125
Rental Income	9,408
Total Nonoperating Revenues (Expenses), Net	<u>(2,141)</u>
Income (Loss) Before Capital Contributions	<u>(12,706)</u>
Capital Contributions:	
Tap Fees	550
Total Capital Contributions	<u>550</u>
Change in Net Assets	(12,156)
Net Assets, Beginning of Year	<u>1,205,211</u>
Net Assets, End of Year	<u><u>\$ 1,193,055</u></u>

See Accountant's Compilation Report.

**Fountain Run Water District #1**  
**Statement of Cash Flows**  
**For the Six Months Ended June 30, 2012**

OPERATING ACTIVITIES	
Cash Receipts from Customers	\$ 116,965
Cash Paid to Suppliers for Goods and Services	(67,719)
Cash Paid to Employees	<u>(34,674)</u>
Net Cash Provided by Operating Activities	<u>14,572</u>
NONCAPITAL FINANCING ACTIVITIES	
Other Income/Expenses	<u>125</u>
Net Cash Provided by Noncapital Financing Activities	<u>125</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on Bonds	(16,000)
Interest Paid	(11,975)
Cash Contributed in Aid of Construction	<u>550</u>
Net Cash (Used) by Financing Activities	<u>(27,425)</u>
INVESTING ACTIVITIES	
Interest Received	292
Rent Income	<u>9,408</u>
Net Cash Provided from Investing Activities	<u>9,700</u>
Net (Decrease) in Cash	(3,028)
Cash and Cash Equivalents, December 31, 2011	<u>257,310</u>
Cash and Cash Equivalents, June 30, 2012	<u><u>\$ 254,282</u></u>

See Accountant's Compilation Report.

**Fountain Run Water District #1**  
**Statement of Cash Flows (Continued)**  
**For the Six Months Ended June 30, 2012**

RECONCILIATION OF OPERATING  
INCOME TO NET CASH FROM

OPERATING ACTIVITIES:

Operating Activities:

Net Income (Loss) from Operations	\$ (10,565)
Adjustment to Reconcile Net Income from Operations to Net Cash	
Provided by Operating Activities:	
Depreciation	32,384
Changes in Assets and Liabilities:	
Accounts Receivable	(3,425)
Prepaid Insurance	(5,048)
Accounts Payable	45
Customer Deposits	600
Payroll Taxes Payable	581
Net Cash Provided by Operating Activities	\$ 14,572

See Accountant's Compilation Report.

**Fountain Run Water District #1  
Schedule of Operating Expenses  
For the Six Months Ended June 30, 2012**

Source of Supply:		
Purchased Water		\$ 38,005
Water Treatment:		
Operation Supplies		314
Transmission and Distribution:		
Operation Labor	20,550	
Purchased Power	1,440	
Supplies	469	
Total		22,459
Customer Accounts:		
Supplies and Expense		2,388
Total		2,388
Administrative and General:		
Administrative and General Salaries	14,124	
Commissioners	3,000	
Continuing Education	285	
Office Supplies and Expense	548	
Postage	555	
Professional Fees	4,300	
Insurance	4,739	
Telephone	1,446	
Transportation	1,412	
Advertising	85	
Miscellaneous	122	
Utilities	1,089	
Maintenance	139	
Total		31,844
Total Operating Expenses		\$ 95,010

